

Message Text

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ORIGIN AF-06

INFO OCT-01 ISO-00 EB-07 L-02 INR-07 SS-15 SP-02 /040 R

DRAFTED BY AF/W-RMWALTER/JKBISHOP:DFF

APPROVED BY AF/W-JLLOUGHREN

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P 182143Z MAR 75

FM SECSTATE WASHDC

TO AMEMBASSY NOUAKCHOTT PRIORITY

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E.O. 11652: N/A

TAGS: BDIS, EFIN, EIND, MR

SUBJECT: FINANCING FOR SUGAR REFINERY: MEETING WITH ISC/
PRITCHARD REPS

REF: (A) NOUAKCHOTT 298, (B) STATE 54015 , (C) STATE 59809

1. AMB. HANDYSIDE, AF/W DEPUTY DIRECTOR BISHOP AND MAURITANIA DESK OFFICER WALTER MET MARCH 14 WITH REPS OF J.F. PRITCHARD AND INTERNATIONAL SYSTEMS AND CONTROLS (ISC). ISC/PRITCHARD GROUP INCLUDED EDGAR OLIPHANT, ISC EXEC V-P, N.J.H. BUNNETTA, PRITCHARD COMMERCIAL DIRECTOR, JAMES DUDLEY, REFINERY PROJECT MANAGER, AND PAUL A. LYNCH, PRITCHARD LEGAL COUNSEL. PRITCHARD REPS HAD JUST COME FROM MEETING WITH EXIM-

2. BUNNETTA OUTLINED HISTORY OF LANG/PRITCHARD INVOLVEMENT IN REFINERY PROJECT. HE SAID AGREEMENT HAD BEEN REACHED RECENTLY AT BRUSSELS WITH GIRM AND GIRM'S BELGIAN CONSULTANTS ON TECHNICAL SPECIFICATIONS OF PLANT. HOWEVER, GIRM AND LANG/PRITCHARD STILL HAD NOT RESOLVED COMMERCIAL LIMITED OFFICIAL USE

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PROBLEMS. MOST IMPORTANT OF THESE APPARENTLY IS GIRM'S

DELAY IN MAKING DOLS 100,000 MONTHLY PROGRESS PAYMENTS, PROVOKING CASH FLOW CRISIS FOR LANG/PRITCHARD. TWO DELINQUENT PAYMENTS WERE RECEIVED EARLY THIS YEAR, BUT GIRM

IS STILL DOLS 400,000 BEHIND. WITH CANCELLATION OPTION DATES ON SEVERAL IMPORTANT SUPPLIERS' CONTRACTS FAST APPROACHING, LANG/PRITCHARD HAS ADVISED GIRM THEY WILL

HAVE TO WITHDRAW FROM PROJECT UNLESS THESE OVERDUE PAYMENTS ARE MADE QUICKLY. BUNNETTA SAID THAT TO EASE THE CASH FLOW STRAIN, LANG/PRITCHARD MAY TRY TO CONVERT SOME OF THE OUGIYAS RECEIVED AS PRE-PAYMENTS FROM GIRM. HOWEVER, MOST OUGIYAS WOULD BE NEEDED TO COVER LOCAL COSTS.

3. ACCORDING TO BUNNETTA, GIRM CENTRAL BANK ISSUED A LETTER OF CREDIT GUARANTEED BY BANKERS TRUST OF N.Y. HOWEVER, LETTER IS REVOKABLE, AS CENTRAL BANK INSISTS IT MUST COUNTERSIGN ALL INVOICES PRIOR TO PAYMENT. EFFECT IS THAT LANG/PRITCHARD MUST FINANCE SUPPLIERS' DELIVERIES--WHICH THEY ARE NOT WILLING TO DO IF PROGRESS PAYMENTS ARE NOT BEING MADE.

4. BUNNETTA SAID CURRENT TOTAL COST ESTIMATE IS A LITTLE UNDER DOLS 19 MILLION. LANG/PRITCHARD IS TRYING TO MAXIMIZE THE ESTIMATED FIXED COST PORTION OF THIS SUM TO OVERCOME GIRM CONCERN ABOUT ADDITIONAL COST OVERRUNS.

5. BUNNETTA SAID TALKS WITH EXIM HAD GONE WELL, WITH EXIM ACKNOWLEDGING COMMITMENT TO PROJECT. BUT BEFORE FULFILLING ITS COMMITMENT, EXIM WANTS THE FOLLOWING INFORMATION: (A) FINAL COST OF PROJECT AND TECHNICAL SPECIFICATIONS OF PLANT; (B) VIABILITY OF PROJECT, INCLUDING RELIABILITY OF RAW SUGAR SUPPLIES; (C) CONFIRMATION OF MORE EXTENSIVE MANAGEMENT CONTRACT WITH SOMDIAA; (D) WHO WILL FINANCE COST OVERRUNS. BUNNETTA ADDED THAT EXIM HAS NOT RULED OUT A GREATER U.S. COMMITMENT ONCE THESE POINTS ARE CLARIFIED.

6. IN ADDITION TO FAMILIAR COMPLAINTS ABOUT BABA, BUNNETTA EXPRESSED CONCERN ABOUT POLITICAL INTERFERENCE WITH CON-LIMITED OFFICIAL USE

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TRACT IMPLEMENTATION. HE CITED EXAMPLE OF OBJECTIONS SOME GIRM OFFICIALS EXPRESSED TO HOUSING CONTRACT AWARD, ALTHOUGH SUCCESSFUL BIDDER 33 PER CENT BELOW CLOSEST COM-

PETITOR. LANG/PRITCHARD DISTURBED BY EXTREMELY WIDE RANGE OF BIDS BEING RECEIVED FROM LOCAL CONTRACTORS. COMPANY CONTINUES FRUSTRATED BY LOCAL BUREAUCRATIC/POLITICAL DELAYS, E.G. GIRM'S CONTINUING INABILITY RESOLVE WITH

SENEGALESE QUESTION OF WHOSE TRUCKERS WILL TRANSPORT
STRUCTURAL STEEL FOR REFINERY NOW AWAITING SHIPMENT AT
PORT OF DAKAR.

7. IN DESCRIBING CONTRACT'S IMPLEMENTATION, BUNNETTA AND

COLLEAGUES EXPRESSED CONCERN ABOUT HOUSING FOR EXPATS,
WHO WOULD TOTAL OVER THIRTY DURING INITIAL CONSTRUCTION
PHASE AND MIGHT RISE TO DOUBLE THAT NUMBER DURING EQUIP-
MENT INSTALLATION. LANG/PRITCHARD UNCLEAR WHAT PROPOR-
TION WILL BE AMERICAN, AS MUCH OF CONSTRUCTION/INSTAL-
LATION WORK WILL BE SUBCONTRACTED. (IMPRESSION LEFT
THAT FIRM STILL ONLY BEGINNING APPRECIATE CONSTRAINTS
IMPOSED BY MAURITANIA'S PRIMITIVE INFRASTRUCTURE). INGERSOLL

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: SUGAR, REFINERIES
Control Number: n/a
Copy: SINGLE
Draft Date: 18 MAR 1975
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MorefiRH
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE060763
Document Source: CORE
Document Unique ID: 00
Drafter: RMWALTER/JKBISHOP:DFF
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750094-0768
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750339/aaaabixf.tel
Line Count: 129
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN AF
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: STADIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: STADIS
Reference: 75 NOUAKCHOTT 298, 75 STATE 54015, 75 STATE 59809
Review Action: RELEASED, APPROVED
Review Authority: MorefiRH
Review Comment: n/a
Review Content Flags:
Review Date: 17 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <17 APR 2003 by ShawDG>; APPROVED <20 MAY 2003 by MorefiRH>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FINANCING FOR SUGAR REFINERY: MEETING WITH ISC/ PRITCHARD REPS
TAGS: BDIS, EFIN, EIND, MR, LANG
To: NOUAKCHOTT
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006